

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version:	CSSB 66(TRA)
Fiscal Note Number:	1
(S) Publish Date:	4/10/2015

Identifier: SB066-DOR-TAX-3-23-15  
 Title: PASSENGER & REC. VEHICLE RENTAL TAX  
 Sponsor: GIESSEL  
 Requester: Senate Transportation

Department: Department of Revenue  
 Appropriation: Taxation and Treasury  
 Allocation: Tax Division  
 OMB Component Number: 2476

### Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	***						
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**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

### ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**  
 If yes, by what date are the regulations to be adopted, amended or repealed? **12/31/15**

### Why this fiscal note differs from previous version:

Initial version.
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Division:	Tax	Date:	03/20/2015 04:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	03/20/2015
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

## Analysis

**Bill Language:**

The primary effect of this bill is in the change to the definition of "passenger vehicle" to exclude additional types of vehicles from the vehicle rental tax.

The definition of passenger vehicle would be altered to exclude vehicles with a Gross Vehicle Weight Rating (GVWR) greater than 6,500 pounds. Currently, the statute defines a passenger vehicle as one with a GVWR less than 8,500 pounds used to transport personal property. This change stands to exclude some pick-up trucks and large SUVs from the tax; although which vehicles are affected is difficult to determine.

The use of the vehicle would become a factor in determining the classification of the vehicle subject to tax. The definition of passenger vehicle would require that the vehicle be licensed to operate and be driven or moved primarily on highways or other public right-of-ways. Primary usage or purpose of the rental would thus need to be assessed to determine whether the rental is subject to tax.

Usage and purpose of the rental would be further called into question for additional exemptions of construction vehicles. It is unclear whether the exemption for construction vehicles would be based on the specific renter or the common use of the vehicle. Additionally, the definition is amended to exclude a vehicle used exclusively for hauling or delivering cargo. Again, the use and purpose of the rental must be called into question to determine applicability of the tax.

The bill also repeals two sections of current law relating to the rental of recreational vehicles, and re-inserts those provisions in other areas of AS 43.52. This is not a substantive change.

**Revenues:**

There will be a reduction in vehicle rental tax collected as a result of these changes. It is difficult to estimate the revenue impact as a result of this legislation as DOR does not have detailed information from vehicle rental contracts which would allow DOR to currently determine how many rentals will meet the new exemption criteria. However, based on limited vehicle rental tax data from audits, DOR estimates that 10% to 15% of total vehicle rental contracts may meet the new criteria and, therefore, vehicle rental tax revenue is estimated to decrease by between \$800,000 and \$1,200,000 each year.

The current vehicle rental tax is deposited into a subaccount of the general fund which can be appropriated for tourism marketing. If the legislature intends to maintain current levels of funding for tourism marketing, a different revenue source would need to be identified to compensate for any loss of vehicle rental tax revenue as a result of this legislation.

**Expenditures:**

The department can implement the provisions of this bill with existing resources.

**Regulations:**

The department anticipates that it will need to adopt regulations to further clarify and interpret what vehicle rentals qualify for usage exemptions. Regulations should be effective by December 31, 2015.